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WORLD AGRICULTURAL Situation

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Detailed statements of the situation in Africa and West Asia, Communist Areas, Far East and Oceania, Western Hemisphere, and Western Europe will be published in April 1972.

SUMMARY

World agricultural production in 1971¹ is estimated slightly above the long-term growth trend. Since 1962 world agricultural production has increased an average of 3 percent per year. The index for representative less developed countries shows growth continuing significantly above trend. Estimated growth in the major industrialized countries is on trend.

Indices of agricultural production in 15 major countries, 1962-71

Year	(1961-65=100)		
	15 Major Countries	8 Industri- alized	7 LDC
1962	98	99	97
1963	99	98	101
1964	103	104	102
1965	103	103	103
1966	108	110	103
1967	112	113	111
1968	117	118	114
1969	117	116	118
1970	120	119	122
1971	125	124	126

Generally favorable weather has been responsible for much of the production increase. World grain output in 1971 reached record levels, with significant increases for wheat and feed grains and a slight gain for rice. Canadian grain production rose as acreage increased. Output in the United States reached record levels for wheat and corn due to high yields and expanded acreage. Grain crops for Europe—East Germany was an exception—were generally excellent as yields exceeded those of last year, and the USSR will have a second successive year of high output.

U.S. agricultural exports (including shipments under government programs) reached a record \$7.8 billion in 1970/71. Wheat (including flour) and soybeans were major export gainers. The value of imports into the United States increased only slightly, leaving a \$2 billion U.S. agricultural trade surplus, the largest since 1964/65.

Despite a substantial increase for July-September 1971, U.S. agricultural exports in 1971/72 may decline somewhat, due to record supplies both in importing and competing exporting countries, limited U.S. supplies of cotton and soybeans, and the dock strike difficulties this fall at U.S. ports. Prospects for grain sales to the USSR provide a partial offset.

Oilseed demand continued to grow with the expansion of livestock and poultry production in many

¹ Calendar year. Unless stated otherwise, split years mean July-June, tons are metric, dollars are U.S., and exports are in terms of volume, not value.

countries, particularly those in the European Economic Community (EC) and in Japan. As a result, U.S. soybean exports in fiscal 1970/71 rose for the tenth successive year. The 1971/72 export outlook for soybeans is influenced by lower U.S. supplies and increased foreign competition.

World cotton production in 1970/71 was down slightly from the previous year, and cotton stocks declined to the lowest level since 1953, contributing to further price increases. Higher prices lead to growing competition from manmade fibers.

World tobacco output in 1970 remained almost unchanged from the previous year's level. The volume of

world tobacco trade continued to be relatively stable. The United States is still the principal exporter of unmanufactured tobacco, but its share of the world market is declining due to expanded competition. The EC still takes the largest volume of U.S. tobacco.

Enlargement of the EC became more of a possibility as the United Kingdom voted to join the original six members. Ireland, Norway, and Denmark have also applied for full membership. The EC is the largest single market for U.S. agricultural products, and an enlarged EC could have a significant negative effect on U.S. agricultural trade.

WORLD PRODUCTION UP

1971 was a good year for agricultural output. Generally favorable weather, expanded acreage for some major crops, and higher yields, often achieved through greater use of such inputs as fertilizer and high-yielding varieties of seeds, all combined to raise production in most regions of the world.

In North America, grain crops exceeded the low output recorded in 1970. Wheat acreage increased in Canada and the United States. The United States, fearing a recurrence of southern corn leaf blight, also expanded corn acreage.

In South America, Argentina registered a slight increase in total agricultural production in 1971 compared with recent years. Chile and Uruguay produced less in 1971, but the rest of Latin America—except for Cuba where drought persisted—enjoyed normal to above normal output.

The effects of better weather were most striking in Europe, enabling recovery from low output in 1970. In Africa, dry conditions which in 1970 had been prevalent in a broad zone from Senegal east to Niger and Nigeria appear to have shifted northward away from Nigeria, but still are affecting Mali, Upper Volta, and Niger. The southern part of the continent saw a return to better conditions, with Angola, Rhodesia, South Africa and neighboring countries generally increasing production.

The USSR had a favorable year for production, with total output about equal to the records set in 1970.

Large areas in Asia are exceptions to this generally favorable picture. Production in the South Asian countries of Iran, Afghanistan, and West Pakistan has been reduced by dry weather. Severe flooding and civil

disturbances reduced output in East Pakistan, while North Vietnam suffered from heavy flooding resulting from the coincidence of typhoons and heavy monsoon rains. Mainland China had a reasonably good year, but unusual weather patterns kept output below record levels reached in 1970.

Total world agricultural production increased an estimated 3 percent in 1971, slightly above the long-term trend.² Output in the industrialized nations, which was slightly below trend in 1970, increased to meet the trend in 1971. Output in the less developed countries is forecast above trend for the third successive year. (table 1).

Preliminary 1971 indices for the major industrialized countries show above-trend performance in the United States and Canada, largely reflecting expanded grain acreage. Output in the European Economic Community (EC) was slightly above trend, with weather playing a major role. Production in other major industrialized nations was on or below trend. Japan, where rice output is being reduced through government land diversion, is a notable example.

In 1970, production indices for Pakistan, India, and Indonesia were far above their respective trends. India and Indonesia continued to show above trend output. Expanded use of high-yielding varieties, fertilizer, and irrigation enabled yields of cereals to reach unprecedented levels. Output in Pakistan moved slightly below trend, the result of dry weather and reduced fertilizer use in West Pakistan and flooding and civil disturbance in East Pakistan.

U.S. AGRICULTURAL TRADE

U.S. agricultural exports in 1970/71 rose 14 percent above the previous record in 1966/67, continuing recovery from a substantial drop in 1968/69.

U.S. agricultural exports reached a record \$7.8 billion in 1970/71. Value of exports in July-September 1971 was \$1.875 billion compared with \$1.665 billion in the same period of 1970. Exporting in anticipation of closure of ports on the East and Gulf coasts is considered to be a major factor in the 3-month increase.

In 1970/71, cotton, oilseeds and oilseed products exports showed the greatest percentage gains over a year

²Complete 1971 world indices will not be available until December 1, 1971. This forecast is based on preliminary indices for the 15 major agricultural countries shown in table 1. For 1962-70, there is a very close correlation between the world index and the index for the 15 countries, between the industrial-country index and the index for the 8 industrialized countries, and between the less developed country index and the 7 less developed countries.

Table 1.--Indices of agricultural production in 15 major countries, 1962-71

(1961-65 = 100)

Area or country ^{1/}	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
15 major countries.....	98	99	103	103	108	112	117	117	120	125
8 industrial countries.....	99	98	104	103	110	113	118	116	119	124
7 less developed countries.....	97	101	102	103	103	111	114	118	122	126
United States.....	98	101	101	103	102	107	109	110	109	117
USSR.....	100	91	109	103	122	120	129	123	135	135
European Community.....	100	102	101	103	103	113	116	116	115	121
India.....	98	101	103	96	95	104	111	117	125	129
Brazil.....	96	99	92	117	106	113	115	120	120	128
Poland.....	92	100	103	104	109	112	117	112	113	117
Australia.....	98	103	108	99	115	105	125	123	116	124
Argentina.....	98	107	105	97	105	113	105	113	112	116
Canada.....	100	110	102	112	126	108	117	123	112	132
Pakistan.....	98	104	102	106	104	116	121	130	129	126
Japan.....	99	100	102	103	106	115	119	114	111	107
United Kingdom.....	99	99	103	107	106	110	108	108	111	113
Mexico.....	93	98	107	114	116	117	121	113	124	125
Turkey.....	95	103	105	104	115	121	122	120	123	130
Indonesia.....	104	95	102	101	107	108	116	116	121	127

^{1/} These countries account for about two-thirds of the estimated value of world agricultural production, excluding that of Communist Asia. In this respect, the countries are arranged in descending order of importance.

^{2/} Subject to revision.

^{3/} Forecast.

Table 2.--Unit value of major U.S. trade commodities, 1967/68 - 1970/71 1/

Commodity	Unit	Unit value					Change		
		1967/68	1968/69	1969/70	1970/71	to	1967/68	1968/69	1969/70
						to	1967/68	1968/69	1969/70
Exports:									
Wheat	Bu.	1.70	1.67	1.57	1.65	-2	-6	-6	5
Wheat flour	Cwt.	3.82	4.00	3.87	3.90	5	-3	-3	1
Corn, except seed	Bu.	1.30	1.24	1.35	1.54	-5	9	2	14
Grain sorghum	Bu.	1.29	1.21	1.24	1.38	-6	2	2	11
Rice, milled	Cwt.	8.48	8.42	7.86	7.94	-1	-7	-7	1
Soybeans	Bu.	2.83	2.70	2.64	3.00	-5	-2	-2	14
Soybean oil meal and cake	S.Ton	84.24	83.12	82.35	88.11	-1	-1	-1	7
Soybean oil	Lb.	.12	.10	.12	.14	-17	20	20	17
Tallow, inedible	Cwt.	6.26	6.12	8.18	9.04	-2	34	34	11
Cotton, upland, 1-1 1/8"	R.Bale	125.66	123.39	124.19	134.29	-2	1	1	8
Cotton, upland, under 1-1 1/8"	R.Bale	102.32	107.84	106.10	120.69	5	-2	-2	14
Tobacco, flue-cured, unstemmed	Lb.	.83	.85	.88	.93	2	4	4	6
Tobacco, flue-cured, stemmed	Lb.	1.14	1.17	1.24	1.25	3	6	6	1
Average unit value 2/						-2.4	1.5	1.5	9.5
Imports:									
Coffee, green	Lb.	.34	.34	.38	.44	0	12	12	16
Cocoa beans	Lb.	.25	.30	.36	.28	20	20	20	-22
Sugar cane	Cwt.	6.37	6.58	6.83	7.04	3	4	4	3
Bananas, fresh	Cwt.	4.65	4.73	4.80	4.53	2	1	1	-6
Beef, fresh, chilled, frozen	Lb.	.40	.44	.49	.53	10	11	11	8
Pork hams or shoulders, canned	Lb.	.74	.79	.86	.86	7	9	9	0
Rubber, crude, dry form	Lb.	.15	.18	.21	.16	20	17	17	-24
Tobacco, cigarette, unstemmed	Lb.	.70	.67	.66	.64	-4	-2	-2	-3
Average unit value 2/						4.4	10.2	10.2	3.5

1/ These commodities account for the bulk of U.S. agricultural exports and imports.

2/ Average of commodities shown.

earlier. The value of cotton exports jumped 42 percent, while oilseeds and oilseed products increased 23 percent. Wheat and flour exports accounted for about a fourth of the increment in total farm exports; soybeans added a fifth. Factors accounting for the increase in soybean exports were declining foreign competition, growing use of soybean products for livestock feed, absence of trade barriers in major markets, and near-record U.S. supplies.

In 1970/71 strong demand for U.S. grains resulted from a reduction in EC grain output and stocks, and expansion of livestock production in principal developed markets.

Export unit values³ for major U.S. trade commodities rose in 1970/71 compared with 1969/70 (table 2). Downward price trends in wheat, soybeans, and soybean meal were reversed. Unit values for corn, sorghum and tallow continued to rise for the third year, and values for tobacco rose for the fourth year.

The value of U.S. agricultural imports rose only 4 percent in 1970/71, following increases of 5 percent and 11 percent in the 2 preceding years. Higher prices accounted for almost all of the import value increment in 1970/71. The rise in supplementary agricultural imports accounted for all of the rise, while the value of complementary imports remained unchanged from 1969/70. Cane sugar accounted for about 25 percent of the total increase in value of U.S. agricultural imports.

Import unit values for sugar and beef have trended upward in the past 4 years and coffee values have risen in the past 3 years, but in the past year, unit values of cocoa and rubber fell sharply, while bananas recorded a slight decline.

The outlook for exports of U.S. agricultural products in 1971/72 is somewhat comparable to the situation which prevailed in 1968/69. There was a decline in 1968/69 due to a U.S. dock strike (Dec. 1968-Feb. 1969), and large grain crops in importing and competing exporting countries.

This year, too, dock strikes also hampered shipments. West Coast ports reopened in early October after being closed since July 1. Ports on the East Coast and most of the Gulf Coast were closed by a strike which began October 1, 1971. And, as was the situation in 1968/69, there are record grain crops in both importing and exporting countries. Unlike 1968/69, there are realignments of foreign currencies and a large prospective grain sale to the USSR.

A downturn in U.S. grain exports may occur in

1971/72 as higher levels of grain production reduce import demand in importing countries and lead to stronger competition from exporting countries. Port closures have blocked shipment of some grain destined for export.

About two-thirds of U.S. feed grain exports and one-half of U.S. wheat exports are normally shipped through Gulf ports. The exports lost through port closures are not likely to be regained, but full-year exports of soybeans will probably not be affected as greatly since world trade sources are limited. Cotton moved through West Coast ports after the resumption of work there in October and through ports in Texas which had not been closed.

In early November 1971 it was announced that the USSR would purchase 3.5 million tons of feed grain (corn, barley, oats). A minimum of 2 million tons of these grains will be of U.S. origin.

U.S. agricultural exports should be aided in the long-run by actions taken to improve the U.S. balance of trade and to readjust the international monetary system.

Two parts of the new economic policy announced on August 15, 1971, affect U.S. agricultural trade. The convertibility of the dollar into gold has been suspended. In addition a temporary import surcharge (a selective duty on imports that compete with domestic products) has added pressure for realignment of exchange rates on countries exporting to the United States.

Some currency realignments have already occurred, with the result that the price of the dollar is now lower relative to other currencies, making U.S. exports cheaper.

The import surcharge applies to about one-fourth of U.S. imports of agricultural commodities. Non-competitive products bearing no duty, such as coffee and bananas, are excluded, as are products imported under quotas (sugar, chilled beef, many dairy products). For the most part, the surcharge will apply to fruits and vegetables. The principal suppliers are Taiwan, Mexico, Canada, and Europe. The import surcharge is expected to have limited impact on sales of domestic farm products as well as on sales of imported agricultural goods.

While the United States could benefit from currency realignments, the advantages may be offset somewhat by tariff and nontariff trade barriers, raised by other countries, such as the variable levy and special border adjustments of the EC which automatically offset lower import prices.

RECORD GRAIN PRODUCTION

In general, larger crops of grain are indicated in all major areas of the world (tables 3-6). The Soviet crop was a near record. Production gains are being recorded in wheat and feed grains, and rice production is up slightly.

World wheat output for 1971 is forecast at 304 million tons, an increase of about 6 percent.

World grain stocks in mid-1971 were down from the high levels of 1969 and 1970 (table 7), but there was essentially no change in the EC and Australia. In the United States, July 1 wheat stocks were down about 17 percent from a year before, while beginning carryover of feed grains was down about 30 percent. Canadian stocks on August 1 were reduced 26 percent and 22 percent for

³ Unit value is derived by dividing the total value of exports by the volume of exports. Unless there are significant year-to-year changes in the composition or quality of a particular commodity group, changes in unit values represent changes in prices.

Table 3.--Grain production by major producers, 1963-71 1/

Area or country	(Year beginning January 1)									
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
United States	174.7	160.8	182.9	183.2	205.8	201.4	203.1	186	229	
USSR	107.5	152.1	121.1	171.2	147.9	169.5	162.4	186.4	180	
India	101.5	103.3	92.0	90.0	103.9	114.6	116.8	126	133	
European Community	57.8	60.6	61.2	59.2	69.5	71.0	71.4	68	76	
Canada	34.0	28.3	32.0	38.5	29.8	34.3	36.5	29	39	
Pakistan	23.9	24.0	24.4	22.3	25.7	28.4	30.3	30	29	
Japan	17.8	18.5	18.3	18.3	20.3	20.3	19.7	17	14	
Brazil	16.3	16.0	19.9	17.5	20.0	20.2	20.2	23.2	21	
Argentina	17.0	20.5	13.6	17.0	18.5	15.7	18.3	19	22	
Indonesia	14.6	16.7	15.9	17.1	17.3	18.8	20.5	20	22	
Poland	15.1	14.0	16.3	15.9	16.5	18.0	18.6	16	19	
Turkey	15.0	12.5	13.4	14.6	15.8	14.8	14.9	14	17	
Australia	11.8	13.0	9.6	16.5	9.8	18.8	14.9	13.0	16	
United Kingdom	11.4	12.8	13.7	13.4	14.6	13.1	13.6	13.2	14	
Thailand	12.6	12.0	11.8	14.5	12.4	13.8	15.1	15	16	
Romania	10.4	11.1	12.6	13.9	13.5	12.8	12.8	10	14	
Yugoslavia	10.6	11.7	10.6	13.9	13.2	12.1	13.6	12	13	
Mexico	9.1	10.4	11.3	11.8	12.4	12.9	11.5	13.3	12.7	
Spain	9.4	8.3	8.9	9.3	10.7	11.9	10.9	10.1	13	
Mainland China	155	165	171	168	187	175	179	192	189	
Total	826	872	860	926	965	997	1,004	1,013	1,089	

Wheat, rice (rough), corn, barley, oats, sorghum and millet, and rye. These countries account for about 85 percent of world grain production.

3/ Subject to revision.

5/4/ Forecast.

5/ Includes pulses and buckwheat; official data.

6/ Includes pulses.

7/ Includes mixed grains, buckwheat, and meslin.

8/ Includes mixed grains.

9/ Includes mixed grains and buckwheat.

0/ Includes mixed grains and spelt.

1/ Includes pulses, mixed grains, and buckwheat.

Table 4.--Wheat production in major exporting countries, 1963-71

Country	1963	1964	1965	1966	1967	1968	1969	1970	1971 <u>1/</u>
	- - <u>Million metric tons</u> - -								
Canada.....	19.7	16.3	17.7	22.5	16.1	17.7	18.6	9.0	14.2
Australia.....	8.9	10.0	7.1	12.7	7.5	14.8	10.8	8.0	9.0
Argentina.....	8.9	11.3	6.1	6.2	7.3	5.7	7.0	4.2	6.0
France.....	10.2	13.8	14.8	11.3	14.3	15.0	14.5	12.9	15.1
USSR.....	<u>49.7</u>	<u>74.4</u>	<u>59.7</u>	<u>100.5</u>	<u>77.4</u>	<u>93.4</u>	<u>79.9</u>	<u>99.5</u>	<u>95.0</u>
Total	97.4	125.8	105.4	153.2	122.6	146.6	130.8	133.6	139.3
United States..	31.2	34.9	35.8	35.7	41.4	42.9	39.7	37.5	44.3
<u>1/</u>	Preliminary.								

Table 5.--Rice production (rough) by major free world producers, 1965-71

(Year beginning August 1)

Country	1965	1966	1967	1968	1969	1970	1971 <u>1/</u>
	- - <u>Million metric tons</u> - -						
India.....	45.9	45.7	56.5	59.7	60.7	63.7	66.1
Pakistan.....	17.7	16.4	19.0	20.1	21.6	20.2	19.5
Japan.....	15.5	15.9	18.1	18.1	17.5	15.9	14.0
Indonesia.....	13.2	14.1	14.3	16.2	18.2	18.1	20.7
Thailand.....	10.8	13.5	11.2	12.4	13.3	13.3	13.4
Burma.....	8.1	6.6	7.8	8.0	8.0	8.5	8.2
Philippines...	4.1	4.1	4.6	4.4	5.2	5.3	5.6
United States..	3.5	3.9	4.1	4.8	4.1	3.8	3.8
South Vietnam..	4.8	4.3	4.7	4.4	5.1	5.7	6.0
South Korea...	<u>4.8</u>	<u>5.3</u>	<u>4.9</u>	<u>4.4</u>	<u>5.6</u>	<u>5.3</u>	<u>6.2</u>
Total.....	128	130	145	152	159	160	163
<u>1/</u>	Forecast.						

Table 6.--Feed grain production in major exporting countries, 1963-71 1/

(Year beginning January 1)									
Country	1963	1964	1965	1966	1967	1968	1969	1970 <u>2/</u>	1971 <u>3/</u>
- - Million metric tons - -									
Argentina.....	7.2	8.2	6.0	10.1	11.2	9.5	10.3	13.9	15.4
France.....	14.1	11.2	13.4	14.7	17.0	17.2	17.7	17.7	19.4
South Africa..	6.5	4.7	5.1	5.5	10.7	5.7	5.6	6.7	9.3
Canada.....	13.9	11.7	13.9	15.5	13.4	16.3	17.4	19.1	24.5
Thailand.....	.9	1.0	1.1	1.3	1.2	1.5	1.7	2.0	2.1
Australia.....	2.7	2.8	2.4	3.7	2.0	3.9	3.8	4.8	6.2
Mexico.....	7.3	8.3	8.9	9.8	9.9	10.2	9.1	10.8	10.7
Brazil.....	<u>10.5</u>	<u>9.5</u>	<u>12.1</u>	<u>11.4</u>	<u>12.9</u>	<u>12.9</u>	<u>12.7</u>	<u>14.2</u>	<u>13.5</u>
Total.....	63.1	57.4	62.9	72.0	77.3	77.2	78.3	89.2	101.1
United States:	139.5	121.7	142.8	143.0	159.7	153.2	158.4	144.2	179.2
1/ Barley, oats, corn, sorghum. (For Canada also includes mixed grain.)									
2/ Subject to revision.									
3/ Forecast.									

Table 7.--Stocks of wheat and feed grains in selected countries, 1962-71

Country	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
- - Million metric tons - -										
United States <u>1/</u>										
Wheat	36.0	32.5	24.5	22.2	14.6	11.6	14.7	22.3	24.1	19.9
Feed grains	<u>65.5</u>	<u>58.4</u>	<u>52.9</u>	<u>49.7</u>	<u>38.2</u>	<u>33.7</u>	<u>43.8</u>	<u>45.4</u>	<u>43.9</u>	<u>31.1</u>
Total	101.5	90.9	87.4	71.9	52.8	45.3	58.5	67.7	68.0	51.0
Canada <u>2/</u> :										
Wheat	10.6	13.3	12.5	14.0	11.4	15.7	18.1	23.2	27.5	20.4
Feed grains	<u>2.8</u>	<u>4.5</u>	<u>5.7</u>	<u>4.2</u>	<u>4.2</u>	<u>4.7</u>	<u>4.2</u>	<u>6.5</u>	<u>6.9</u>	<u>5.4</u>
Total	13.4	17.8	18.2	18.2	15.6	20.4	22.3	29.7	34.4	25.8
EC <u>3/</u> :										
Wheat	6.3	8.2	6.1	5.6	6.8	5.4	5.4	7.5	4.1	4.1
Feed grains	<u>4.5</u>	<u>5.1</u>	<u>5.6</u>	<u>4.7</u>	<u>4.9</u>	<u>5.1</u>	<u>4.7</u>	<u>5.1</u>	<u>4.5</u>	<u>4.1</u>
Total	10.8	13.3	11.7	10.3	11.7	10.5	10.1	12.6	8.6	8.2
Australia <u>4/</u> :										
Wheat	.5	.6	.6	.7	.4	2.2	1.4	7.3	7.3	7.2
Feed grains	<u>.2</u>	<u>.2</u>	<u>.4</u>	<u>.4</u>	<u>.4</u>	<u>.5</u>	<u>.2</u>	<u>.2</u>	<u>.2</u>	<u>.2</u>
Total	.7	.8	1.0	1.1	.8	2.7	1.6	7.5	7.5	7.4
Argentina <u>4/</u> :										
Wheat	.2	.5	2.2	3.3	.4	.6	1.3	.8	1.4	.9
Feed grains	<u>.4</u>	<u>.1</u>	<u>.2</u>	<u>.2</u>	<u>.1</u>	<u>.0</u>	<u>.1</u>	<u>.1</u>	<u>.0</u>	<u>.0</u>
Total	.6	.6	2.4	3.5	.5	.6	1.4	.9	1.4	.9
Total wheat	54	55	46	46	34	36	41	61	64	52
Total feed grains	<u>73</u>	<u>68</u>	<u>75</u>	<u>59</u>	<u>48</u>	<u>44</u>	<u>53</u>	<u>57</u>	<u>56</u>	<u>41</u>
Total grains	127	123	121	105	82	80	94	118	120	93

1/ July 1 for wheat, oats, and barley. October 1 for corn and sorghum.2/ August 1.3/ 1961-67, July 1. 1968-71, August 1.4/ December 1 for wheat, oats, and barley. April 1 for corn and sorghum.

wheat and feed grains, respectively. U.S. and Canadian stocks are projected to increase as record grain crops are harvested.

North America

Canadian grain production has increased markedly over 1970, when wheat acreage was cut back to reduce stocks. Planted area increased this year and output of wheat is rising more than 50 percent. Production of barley, up 58 percent; rye, up 13 percent adds to total supplies. Output of oats and corn may be about the same as 1970.

Grain output in the *United States* has reached new heights this year with record crops of wheat, corn, and sorghum, the largest rye crop since 1942, and the largest barley crop since 1958. Larger acreage and high yields pushed corn output to a record 5½ billion bushels.

Production of most grains in *Mexico* is above the level of the previous year, when drought had cut output. Increases of around 20 percent are estimated for barley, corn, and sorghum.

South America

In *Argentina*, corn and sorghum production continued to increase, reaching record levels in 1971. The wheat harvest now beginning is expected to show a sharp recovery from the drought-affected 1970 crop. In *Brazil* drought has cut harvests of corn and rice for 1971, following the abundant harvests of 1970, and rice output may be down as much as 20 percent. Despite larger corn acreage, dry weather has cut yields and a slightly lower harvest is expected. Brazilian wheat production has been expanding, and a record output is expected this year.

Europe

Excellent 1971 grain crops have been harvested throughout Europe. Increases are due in large measure to higher yields rather than expanded acreages. Percentage increases in 1971 output should be viewed against the unfavorable 1970 crop. Wheat output in Western Europe in 1971 is estimated to be 12 percent above 1970, rye is up 13 percent, barley up 14 percent, and oats up 9 percent. Examples of increased grain output in various countries of Western Europe are: *France* (combined wheat, barley, and corn output 13 percent above 1970); *Italy* (8 percent increase in rice—a record crop); *West Germany* (grain production up 21 percent); *United Kingdom* (wheat crop 8 percent above 1970).

The *EC* grain crop for 1971 reached a record 76 million tons. Grain area increased in West Germany and France, and declined in Belgium, Luxembourg, and the Netherlands. The bumper grain crop is due mainly to higher yields.

Elsewhere in Europe the *United Kingdom* harvested a record grain crop in 1971 with wheat production at 4.8 million tons, barley production at about 8.6 million

tons, plus an estimated 16 percent increase in oat production. *Spain* has enjoyed a record barley crop, a substantial wheat crop (5.1 million tons, only 10 percent below the 1967 record), plus increases in corn, oats, and sorghum. Most of the increase is due to higher yields.

Grain output in Eastern Europe is also higher in spite of reported setbacks in East Germany. A record *Polish* grain crop of 19 million tons was harvested in 1971, about 20 percent above the mediocre harvest of 1970, and 5 percent higher than the previous 1969 record. Increased use of fertilizer, good weather, and a 5-percent increase in acreage were responsible. *Yugoslavia* is expecting above average grain production in 1971, with small grain output at high levels, but prospects for a short corn crop. *Romanian* wheat yields reached record levels and barley yields were excellent. Prospects for the 1971 corn crop in Romania are excellent, in contrast to Yugoslavia, where dry weather hampered growth of corn.

Grain production in the *USSR* was again high—an unusual situation because 2 successive bumper crops are rare. Soviet purchases of all grain since June 1971 total 8.5 million tons of which 7.5 million are scheduled for shipment before July 1972.

Several explanations have been advanced for the Soviet purchase of such a large quantity of grain. World grain prices are low and the USSR livestock industry can use more high-energy feeds. Some of the grain will be shipped to other countries on Soviet account. Further, the importing of feed grain may be considered preferable to imports of livestock products. Nevertheless, the total volume of grain to be imported by the Soviets in 1971/72 appears unusually large, considering the fact that the USSR is enjoying its second bumper grain crop in succession.

Africa/Middle East

Production of wheat and barley is up in *Morocco*. In *South Africa* preliminary estimates call for another record year for wheat, while the corn and sorghum crops were second only to 1967. Grain output in *Iraq* and *Iran* is down because of drought. *Turkey* had good weather in 1971 after 4 years of adverse conditions, and a record grain harvest is expected. Turkish estimates indicate increases of 20 percent for wheat and, 25 percent for both barley and oats.

Far East

India's food grain production in 1970/71 reached almost 108 million tons (including milled rice) more than 8 million tons above 1969/70. Major increases were achieved for wheat, rice, millet and corn. Despite these production increases, per capita food grain supplies in 1971 will be about equal to 1970, because of the influx of refugees from East Pakistan. Increased production has resulted from greater use of high-yielding varieties, more fertilizers and an expanded acreage under irrigation. Rice production—now over a fourth from high-yielding

Pakistan's food grain production has declined over the past year. Wheat—mostly grown in West Pakistan—declined because of dry weather and a reduction in fertilizer use. Nearly 85 percent of the rice is produced in East Pakistan; damage caused by the cyclone in November 1970 reduced production there. Further reductions are expected because of floods and civil disturbances.

Grain production in *Australia* (1971/72) is forecast at 15 million tons, up 13 percent from 1970/71. An increase of 13 percent is expected in wheat production with increases in production quotas, and sorghum and other feed grain production also will be up.

Rice output in *North Vietnam* has been affected by major floods.

Table 8.--Exports of feed grains by

Good 1971 grain harvests, and consequent larger supplies in importing as well as exporting countries, will mean increased trade competition in the coming calendar year (table 8). Some weakening of prices from last year's high level has already occurred, along with continued efforts by traders and governments to improve competitive positions.

Many importing countries have set goals of self-sufficiency, and production levels are being raised to meet these goals. India, for example, claims to be near self-sufficiency in food grains, and has announced that import of grains will end after 1971, except for previous commitments.

Prices in some markets have already weakened with larger exportable supplies and reduced import needs. Thailand, for example, has reduced its tax on most grades of rice destined for export, thus helping to reduce the price in world market.

(Year beginning July 1)

1/ Barley, oats, corn, and sorghum.
2/ Preliminary.
3/ Feed grain equivalent of products such as cornmeal, starch, and malt included.

OILSEED DEMAND STRONG

U.S. soybean exports increased in 1970/71 (September-August) for the tenth successive year (table 9). While there was only a slight increase in the volume, higher prices insured a significant gain in value. The largest volume increase was in U.S. sales to the EC, while a substantial drop of soybean exports to Canada indicated a decreased level of transshipments. Foreign demand for U.S. soybeans continued strong, but U.S. supplies are down from last year. With lower U.S. supplies and increased foreign supplies of competing oilseeds, oils, and meals, the volume of U.S. exports of soybeans and oil in 1971/72 will probably decline from the 1970/71 record level.

Data for Brazil show a continued sharp increase in production—over 50 percent this year—but production is still only 2.1 million tons.

Output of other major oils and oilseed crops showed mixed results, with production generally up. Production of rapeseed increased in France, West Germany, Poland, and China. Canadian rapeseed production tripled from 1969 to 1971. World sunflowerseed output recovered in 1971, primarily because of better crops in Eastern Europe.

Peanut production in major exporting countries has declined from the record 6.5 million tons in 1966 to 5.3

million tons in 1970. Peanut production is up slightly in China. India, the largest producer of peanuts in the world, had a record crop in 1970. But India is no longer an important exporter and shipments dropped sharply in 1970. According to preliminary estimates, the 1971 West African peanut crop is expected to be above 1970's reduced output.

World production of copra continued to increase—from 3.3 million tons in 1970 to 3.7 million tons in 1970—and further significant expansion of production is expected for 1972. Output of palm oil and coconut oil also is increasing this year.

World flaxseed production in 1970 was the highest since 1956; production in 1971 is expected to decline. World exports of flaxseed and linseed oil in 1970 (flaxseed equivalent) reached 1.3 million tons—up from 1.2 million tons in 1969 and 1.0 million tons in 1968—and are expected to show a further increase in 1971 due to abundant stocks.

Supplies of fishmeal in major exporting countries are also increasing, which should lead to increased exports in 1972. Exports in 1971 are forecast at 3.3 million tons, a rise from 2.6 million tons in 1970 and 2.7 million tons in 1969.

Table 9.--U.S. exports of soybeans, 1969/70 and 1970/71
(Year beginning September 1)

Destination	1969/70	1970/71
	- - <u>Million bushels</u> - -	
Netherlands.....	57.4	57.4
West Germany.....	41.8	53.0
Italy.....	25.4	26.0
Other EC.....	21.1	26.4
Total EC.....	145.7	162.8
Japan.....	101.4	102.8
Spain.....	36.3	38.7
Canada.....	70.0	42.2
Denmark.....	18.4	21.4
Taiwan.....	21.2	19.6
Israel.....	8.3	12.8
United Kingdom.....	7.5	5.9
Others.....	23.8	27.0
Total.....	432.6	433.2

COTTON STOCKS LOW AND SUPPLY TIGHT

Short supplies of cotton on the world market in 1971 have pushed prices well above previous levels. Stocks are low and will remain so at least through another year. World production in 1971/72 is expected to increase

moderately over 1970/71, but a high level of cotton use—exceeding output by nearly 1 million bales—is expected to tighten supplies still further.

World cotton production in 1970/71 (August

1970-July 1971) is estimated to have totaled nearly 51.3 million bales, down slightly from the 1969/70 level of 51.8 million bales. Preliminary estimates put the 1971/72 production level at 53.1 million bales. Higher prices have been an incentive for increased acreage; good weather has helped yields regain previous levels.

Increased output is forecast for two of the four major world cotton producers—the United States and India—during the current year 1971/72 (table 10). U.S. production is forecast at 10.7 million bales, 5 percent above last year. However, adverse weather early in the growing season contributed to lower than expected yields. As a result, output is less than ½ million bales above last season's crop. This year's cotton crop in the USSR will reach and may exceed last year's bumper crop.

Cotton production in Mainland China probably will be about the same as 1970's 6.9 million bales. The unusual weather pattern which adversely affected grains and other crops also affected cotton.

The 1971/72 Indian crop is forecast at 4.8 million bales, 7 percent above the previous year due primarily to more favorable weather conditions. The Indian government has begun a 3-year development program to increase cotton production. The announced goal is 6.5 million bales by 1973/74, almost a 35-percent gain over the average output for the past 3 crop years. "Green revolution" techniques, primarily encouraging production of high-yielding varieties, are at the heart of the plan.

Pakistan also is aiming for increased cotton production—3.4 million bales for 1974/75, an increase of about 40 percent over the 2.4 million bales harvested in 1970/71. Output in 1970/71 was lower than expected due to a shortage of irrigation water at planting time and subsequent insect infestation. Several factors may spur larger output in future years: Prices to cotton growers are increasing, cotton exporters are being given bonus

vouchers permitting them to retain a portion of the foreign exchange which they earn. The area planted to cotton is expected to increase, with shifts from sugarcane, wheat, and forage, and greater inputs of fertilizer, insecticides, and improved seeds are anticipated.

Brazil raised cotton output above last year's exceptionally low levels with increased production in both northern and southern areas. Higher output is anticipated in the future if prices and weather remain favorable. Lower yields for 2 successive years and higher world market prices this year recently spurred the government to hike the cotton support price in southern Brazil to encourage an increase in acreage.

Peru's 1970/71 crop is about the same as last year. Acreage was down, reflecting lower prices and drought. Both acreage and production estimates for 1971/72 show slight increases. Colombia's 1970/71 production was also down; lower profits and reduced price supports resulted in reduced acreage. Small increases are expected for 1971/72 in acreage and production.

Unfavorable weather reduced the 1970/71 crop in the UAR and some other African countries.

World cotton stocks are now at their lowest point since 1953 and recent prices were 6 to 8 cents a pound higher than a year before. A continued tight supply situation is likely for the current year. A favorable market plus higher government support levels in many countries should encourage further acreage increases in 1972 and, with favorable weather, larger output.

U.S. exports of cotton in 1970/71 increased over a third from the previous year reflecting the tight world supply situation and competitive prices for U.S. cotton. Exports to Europe increased, particularly to the EC countries, but were still considerably below the level of exports in the early and mid-1960's. Exports to Japan, South Korea, Taiwan, Canada, Thailand, and Hong Kong also increased (tables 11 and 12).

WORLD TOBACCO PRODUCTION HIGH: U.S. EXPORTS FACE INCREASED COMPETITION

World tobacco output is expected to total about the same as the near record 10-billion pound crop of 1970, continuing close to the 1967 record of 10.4 billion pounds. U.S. output (including Puerto Rico) declined 6 percent in 1971 to 1.79 billion pounds, close to the very low level of 1968. U.S. acreage was off 5 percent, yields were a little lower than last year. U.S. stocks of tobacco have declined for 7 straight years and will decline again.

The United States is still the principal exporter of unmanufactured tobacco, but its share of the total world market has fallen. Expanded competition comes from foreign-grown tobaccos offered by other countries at much lower prices. Among the major exporting countries, there were significant increases in 1970 in Brazil and Greece and significant declines in India and Japan (table 13). Many countries also have expanded production for domestic use. U.S. exports to the EC have been affected by protectionist policies, including a feature of the EC's Common Agricultural

Policy that provides subsidies to users of domestically produced tobacco. However, the EC is still the largest single importer of U.S. tobacco (table 14). U.S. exports to the United Kingdom have fallen due to rising U.S. prices and possible stock adjustments by the United Kingdom in anticipation of entry into the EC.

The volume of world trade in tobacco has been relatively steady, but significant shifts have occurred in recent years. Many countries have expanded production for both domestic use and export to fill shortages left by U.N. sanctions against trade with Rhodesia.

Other African countries—South Africa, Malawi, Tanzania, and Uganda—have expanded production as Rhodesia's exports have dropped. Malawi and South Africa are shipping to the U.K. market. Uganda and Tanzania are expanding output for export to both the EC and United Kingdom, based on preferential trade arrangements.

Table 10.--Cotton production by major producers, 1964-71

(Year beginning August 1)								
Country <u>1/</u>	1964	1965	1966	1967	1968	1969	1970	1971 <u>2/</u>
	- - Million bales <u>3/</u> - -							
United States.....	15.18	14.97	9.58	7.46	10.95	10.02	10.17	10.70
USSR.....	8.28	8.87	9.37	9.35	9.31	8.92	10.80	10.80
Mainland China.....	6.00	6.60	6.50	7.00	6.80	6.80	6.90	6.90
India.....	4.90	4.60	4.60	5.30	4.90	5.10	4.50	4.80
Brazil.....	2.10	2.50	2.05	2.70	3.30	3.05	2.25	2.90
Pakistan.....	1.75	1.92	2.10	2.39	2.43	2.48	2.43	2.65
Mexico.....	2.40	2.63	2.25	2.00	2.45	1.75	1.44	1.56
UAR.....	2.32	2.39	2.09	2.01	2.01	2.50	2.34	2.40
Turkey.....	1.50	1.50	1.75	1.80	2.00	1.84	1.84	2.15
Central America.....	1.32	1.22	1.05	1.01	1.00	.78	.86	.90
Sudan.....	.70	.75	.89	.90	1.05	1.00	1.15	1.15
Syria.....	.81	.83	.65	.58	.70	.71	.68	.60
East African Community.....	.63	.70	.74	.62	.60	.74	.67	.78
Iran.....	.53	.65	.52	.53	.69	.71	.69	.65
Colombia.....	.30	.30	.40	.46	.64	.59	.54	.58
Peru.....	.65	.52	.48	.46	.42	.39	.40	.40
Total.....	49.4	51.0	45.0	44.6	49.2	47.4	47.7	49.9

1/ These countries account for about 95 percent of world cotton production.

2/ Preliminary and subject to revision.

3/ Bales of 480 pounds net.

Table 11.--Cotton exports by country of origin, 1964-70

(Year beginning August 1)								
Country <u>1/</u>	1964	1965	1966	1967	1968	1969	1970 <u>2/</u>	
	- - Million bales <u>3/</u> - -							
United States.....	4.20	3.04	4.83	4.36	2.82	2.88	3.90	
USSR.....	2.00	2.30	2.40	2.50	2.40	2.00	1.70	
Mexico.....	1.62	2.13	1.39	1.24	1.63	1.23	.85	
UAR.....	1.56	1.58	1.43	1.17	1.09	1.46	1.45	
Brazil.....	1.04	.94	1.01	.84	1.77	1.93	1.20	
Turkey.....	.77	.92	1.05	1.04	.95	1.14	1.07	
CACM <u>4/</u>	1.17	1.19	.90	.86	.94	.70	.81	
Pakistan.....	.48	.49	.56	.89	.57	.39	.47	
Sudan.....	.47	.57	.68	.79	.85	1.08	1.15	
Syria.....	.73	.71	.58	.49	.55	.59	.62	
East African Community.....	.60	.61	.72	.55	.46	.64	.60	
Peru.....	.47	.52	.38	.28	.38	.34	.30	
Total.....	15.11	15.00	15.93	15.01	14.41	14.38	14.12	

1/ These countries account for about 85 percent of world cotton exports.

2/ Preliminary.

3/ Bales of 480 pounds net.

4/ Central American Common Market.

Table 12.--U.S. cotton exports, 1965-70

(Year beginning August 1)						
Destination	1965	1966	1967	1968	1969	1970
-- <u>Thousand running bales</u> --						
Italy.....	102	263	253	62	46	57
France.....	108	163	148	88	30	60
West Germany.....	92	159	100	31	26	65
Other EC.....	81	83	81	49	38	80
Total European Community:	383	668	582	230	140	262
Japan.....	705	1,293	1,103	536	623	841
South Korea.....	301	372	351	447	455	491
India.....	63	289	342	174	261	211
Indonesia.....	0	161	70	105	242	194
Taiwan.....	178	373	378	259	193	406
Canada.....	269	297	142	108	181	292
Philippines.....	93	134	154	119	146	137
South Vietnam.....	73	66	24	62	99	114
Hong Kong.....	94	183	299	194	61	193
Thailand.....	55	70	90	66	54	142
Poland.....	42	78	77	106	51	0
Romania.....	0	0	0	0	46	57
United Kingdom.....	131	153	125	48	38	95
Sweden.....	59	71	75	51	37	29
Yugoslavia.....	169	139	67	54	0	2
Others.....	327	322	327	172	141	274
Total.....	2,942	4,669	4,206	2,731	2,768	3,735

Table 13.--Tobacco production by major producers, 1963-70

(Year beginning January 1)								
Country <u>1/</u>	1963	1964	1965	1966	1967	1968	1969	1970 <u>2/</u>

1/ These countries account for about 80 percent of world production.

2/ Preliminary.

3/ Farm sales weight.

4/ The production series on Mainland China is based on fragmentary information. Both the absolute level and direction of change are subject to revision.

South Korea, which exported 41 million pounds in 1970, has moved strongly into the world market and is now approaching Canada's flue-cured export total of 47 million pounds for 1970. Exports of flue-cured tobacco from India in 1970 totaled 93 million pounds, the same as 1969, but somewhat below the 1960-64 average

export of 101 million pounds.

Rhodesian tobacco is entering world trade in spite of the U.N. sanctions. Rhodesian exports in 1970 are estimated at about 70 million pounds, an increase over the previous 2 years but still far below the record level of 244 million pounds exported in 1965.

IMPACT ON TRADE OF AN ENLARGED EUROPEAN COMMUNITY

On October 28, 1971, the British Parliament voted to join France, Italy, West Germany, the Netherlands, Belgium, and Luxembourg in the European Economic Community (EC). Ireland, Norway, and Denmark also have applied for full membership.

The EC is the largest single market for U.S. agricultural products. An enlarged EC, with the entry of the U.K., Denmark, Norway, and Ireland, will become the most important trading power in the world, accounting for about one-third of the world's trade. As such, it will have a significant effect on U.S. agricultural trade.

The Common Agricultural Policy (CAP) of the EC not only adversely affects U.S. agricultural exports to the EC, but also because of export subsidies means increased competition in world markets for U.S. exports.

A significant feature of the CAP which directly affects imports from the United States and other countries not associated with the EC is the system of variable levies on imports. The EC variable levy system, combined with minimum import prices, insulates high domestic prices from lower world prices, protecting EC farmers from import competition. High price supports and the insulated market have encouraged surplus levels of production. A large percentage of surplus supplies are normally exported with the aid of export subsidies to make them competitive.

The influence of the EC extends far beyond the borders of the member countries through special relationships, including preferential trade agreements with associate members (Greece and Turkey), former colonies and trust territories of members (such as the former African colonies of France, Belgium, and Italy) and the remaining overseas territories of full members. Special trade preferences have been granted to Morocco and Tunisia, while other countries, such as Iran, Israel, Spain, Yugoslavia, and Lebanon, have signed trade agreements—some preferential—with the EC. The growth of preferential relationships and the use of export subsidies have had a decided impact on established commodity flows and on prices and competition. Enlargement of the EC is likely to increase this impact.

U.S. agricultural exports to the United Kingdom, Denmark, Norway, and Ireland are expected to decline as these countries enter the EC. In 1970, EC countries displaced the United States as principal suppliers of agricultural commodities to the U.K. market. The entry of these 4 countries will contribute to a significant increase in the grain, milk, meat, and egg production of the enlarged EC by 1980. It is anticipated that they will

reduce their grain imports, have a large egg surplus available for export and have surpluses of pork and poultry.

U.S. agricultural trade with the United Kingdom, Denmark, Norway, and Ireland will be determined by a number of factors. First, the total agricultural production of the 4 countries (with the exception of Norway) should be stimulated by the higher prices under the CAP. Second, their trade with the EC and EC associated members will increase. Third, because of the higher prices of agricultural commodities, the quantities demanded by consumers will be less. For a variety of reasons, a gradual substitution favoring EC products can be anticipated.

In 1970, U.S. agricultural exports to the 4 potential EC members amounted to \$549 million (table 15) or about 8 percent of U.S. total agricultural exports during 1970. Significant proportions (value basis) of total U.S. exports of flue-cured tobacco (32%), variety meats (22%), dried beans (21%), and dried peas (21%) go to these countries.

More than half of U.S. agricultural exports in 1970 to the 4 countries consisted of unmanufactured tobacco, soybeans, and unmilled corn. Tobacco exports alone accounted for more than a quarter of total farm exports to the group and corn and soybeans added another 30 percent. These agricultural commodities alone were responsible for export earnings in excess of \$300 million.

Soybean exports are not expected to be adversely affected by EC enlargement. The U.S. has little competition in this market and no EC trade restrictions as yet apply to this commodity.

Prospects are different for tobacco and corn. In 1969, more than 55 percent of all tobacco imported by the 4 countries came from the U.S. A comparable figure for EC imports from the U.S. was about 41 percent. The shift from no or little protection to a protected market would seriously hinder U.S. tobacco trade in these 4 countries.

The future for corn is also uncertain. An increase in the substitution of denatured wheat for corn might significantly lower U.S. corn sales. (The use of wheat for feed is likely if expected increases in wheat production in the enlarged EC occur.) While dependency on imports of hard wheat is expected to continue in the enlarged EC, the import of feed grains is expected to decrease by 1980.

Table 14.--U.S. exports of tobacco to major markets, 1966-70

(Year beginning January 1)					
Destination	1966	1967	1968	1969	1970 <u>1/</u>
- - <u>Million pounds</u> - -					
West Germany.....	99	114	89	102	93
Netherlands.....	29	40	44	34	27
Belgium.....	17	18	20	17	12
Other EC.....	<u>12</u>	<u>14</u>	<u>12</u>	<u>28</u>	<u>12</u>
Total EC.....	157	186	165	181	144
United Kingdom.....	130	138	147	134	95
Japan.....	42	27	49	41	59
Thailand.....	18	23	29	24	20
Switzerland.....	17	21	25	26	25
Sweden.....	23	19	17	14	19
Denmark.....	18	16	19	19	18
Australia.....	16	13	20	20	10
Ireland.....	13	14	15	11	10
Other.....	<u>117</u>	<u>115</u>	<u>113</u>	<u>107</u>	<u>110</u>
Total.....	551	572	599	577	510

1/ Preliminary.

Table 15.--Value of total and selected U.S. agricultural export to U.K., Denmark, Norway, and Ireland in 1970

Country	U.S.	Selected agricultural exports			
	Agricultural Exports	Three Commodities	Tobacco (unmfd.)	Soybeans	Corn (unmilled)
- - <u>Million dollars</u> - -					
Denmark.....	84	68	16	52	--
Ireland.....	25	13	11	--	2
Norway.....	38	25	7	17	1
U.K.....	402	197	107	16	75
Total 4 countries:	549	303	141	85	78

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